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CANADIAN GENERAL ELECTRIC

72nd Annual Report - 1964



Financial Highlights

	1964	1963
Net sales billed	\$324 382 063	\$311 062 030
Income Taxes (Federal and Provincial)	16 972 723	14 945 000
Net earnings	17 056 100	13 784 890
Dividends declared	5 538 633	3 086 221
Capital expenditures	9 866 617	5 718 146
Capital cost allowance (Depreciation)	6 918 159	6 370 337

How the 1964 Revenue Dollar was distributed

Materials	44.2¢	Reinvestment	3.5¢
Employee Compensation (including benefits)	31.5	Capital Cost Allowance (Depreciation)	2.1
Other Costs and Expenses	13.0	<i>Increase</i> in Inventories	2.1
Taxes	6.1	Dividends	1.7



COVER PICTURE: A power transformer—one of five built at CGE's Guelph plant for Poland — is loaded on a German ship at a Toronto dock. This was the first order for power transformers placed by Poland in Canada. A picture story of the Company's export activities begins on page 12 of this Report.

The President Comments



In 1964, Canadian General Electric and its wholly owned subsidiary companies produced and sold a record \$324,382,063 worth of goods and services in the domestic and export markets. This was an increase of 4 per cent over 1963 and represented the third successive year in which new high levels of sales were attained.

Net earnings in 1964 also advanced to an all-time high of \$17,056,100, up 24 per cent from the previous year. This is largely the result of a Company-wide drive in recent years for better management of costs, and a broadening of the product scope of the Company. Net earnings represented 5.26 cents on the sales dollar, compared with 4.4 cents in 1963, and amounted to \$2.15 per common share (\$1.72 - 1963).

Record Export Sales

The increase in 1964 sales was broadly based, and affected Company products ranging from lamps and appliances to heavy capital goods. High domestic sales were supported by a record level of export shipments. This export activity, amounting to over \$25 million in 1964, is of such significance, both to the Company and to the economy generally, that it forms the basis of a special section beginning on page 12 of this Report.

The Company's depth of experience in science and engineering continued to enable it to break new ground to meet its customers' needs. In 1964, for example, a \$1 million extra-high-voltage test centre was completed at the Guelph power transformer plant. Equipment for the world's highest voltage commercial power line has already been built, tested and shipped from this facility.

Upgrading Facilities

In another field of technology, the Company has continued to upgrade skills and facilities to meet its utility customers' requirements for thermal generating equipment. Sizeable investments for this purpose have been made both at the Company's Peterborough plant and at Dominion Engineering Works, Limited, Lachine. As a result, the Company was successful in

obtaining orders for four 500 megawatt steam turbine generator units, among the largest of their type being built anywhere in the world.

This is an example of what is being achieved by the combination of the electrical skills and facilities of Canadian General Electric with those in the mechanical field of Dominion Engineering Works. In the case of steam turbine generator units, a sizeable portion of the generators will be built in Peterborough, while the major work on building the turbines will be performed in Lachine.

Consumer Goods Strong

In the consumer goods area, sales in 1964 continued strong. Steady advances were noted in most lines, with increased sales of home laundry products being most prominent. In television, the Company's new 11-inch, lightweight 13-pound portable receiver, selling at a very popular price, exceeded sales expectations. And in portable electrical appliances, strong market response greeted the Company's new power lawn mower, which was designed and built in the small appliance plant in Barrie.

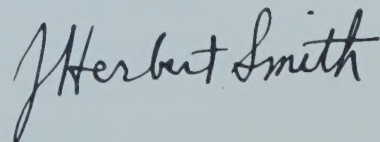
To produce these new products, and to remain competitive in older product lines, requires a continuous program of investment on new and improved facilities and equipment. Over \$33 million has been directed toward these ends in the past five years, with \$9,866,617 being expended in 1964.

Employment Up

Company employment in 1964 rose 1168 to 17,824 by year-end. The Board of Directors has asked me to recognize the outstanding contributions of these employees in meeting customers' needs for application, delivery and service, as well as for advances in design and product performance.

The Directors record with profound regret the death of Louis L. Lang of Waterloo, who served as a Director for over 18 years and who passed away on February 25, 1965. His counsel over the years was of great value and much respected.

On behalf of the Board of Directors,

A handwritten signature in cursive script that reads "Herbert Smith". The signature is written in dark ink and is positioned above the printed name "Herbert Smith".

Consolidated Statement of Current and Reinvested Earnings

YEAR ENDED
DECEMBER 31,
1964

with comparative figures for 1963

	1964	1963
Net sales billed	\$324 382 063	\$311 062 030
Costs, expenses, and other charges, except those shown separately below	287 766 975	278 557 402
Capital cost allowances for plant and equipment	6 918 159	6 370 337
Salaries of officials and legal expenses	564 202	567 617
Directors' fees	10 125	10,125
	<u>295 259 461</u>	<u>285 505 481</u>
Earnings from sales	<u>29 122 602</u>	<u>25 556 549</u>
EARNINGS FROM OTHER SOURCES:		
Dividends and interest	2 508 429	1 219 644
Gain from sale of fixed assets and investments	1 946 321	737 442
Miscellaneous	696 879	1 278 662
	<u>5 151 629</u>	<u>3 235 748</u>
Less interest and other financial charges	245 408	62 407
	<u>4 906 221</u>	<u>3 173 341</u>
Total earnings before income taxes	34 028 823	28 729 890
Income taxes	16 972 723	14 945 000
Net earnings	<u>17 056 100</u>	<u>13 784 890</u>
Reinvested earnings at beginning of year	127 147 917	116 449 248
	<u>144 204 017</u>	<u>130 234 138</u>
DIVIDENDS DECLARED:		
Employees' preferred stock	37 013	39 980
Convertible preferred stock	779 737	779 737
Common stock	4 721 883	2 266 504
	<u>5 538 633</u>	<u>3 086 221</u>
Reinvested earnings at end of year	<u>\$138 665 384</u>	<u>\$127 147 917</u>

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

Assets

	1964	1963
CURRENT ASSETS:		
Cash	\$ 1 669 444	\$ 2 374 180
Short term marketable securities at lower of amortized cost or market (equal to approximate market) and call loans	57 152 713	27 189 360
Accounts and notes receivable, less estimated allowance for doubtful accounts	60 344 832	52 460 811
Inventories at the lower of cost or market value, less reserves (1964—\$6,300,000; 1963—\$6,300,000)	86 360 341	79 598 541
	<u>205 527 330</u>	<u>161 622 892</u>
Less progress collections on contracts	46 612 391	19 829 459
Total current assets	<u>158 914 939</u>	<u>141 793 433</u>
FIXED ASSETS:		
Plant and equipment, at cost	148 359 357	141 473 239
Less capital cost allowances	99 539 204	95 248 158
Net fixed assets	<u>48 820 153</u>	<u>46 225 081</u>
OTHER ASSETS:		
Investment in vessels, computers and other equipment for hire (net)	16 924 527	21 156 968
Government of Canada bonds deposited as guarantees	1 998 468	1 453 343
Investment in non-consolidated subsidiary (note 1)	428 989	68 782
All other	1 296 874	979 816
Total other assets	<u>20 648 858</u>	<u>23 658 909</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

J. H. Smith, Director

W. C. Harris, Director

<u>\$228 383 950</u>	<u>\$211 677 423</u>
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DECEMBER 31,

1964

with comparative figures for 1963

Liabilities

	1964	1963
CURRENT LIABILITIES:		
Accounts payable	\$ 19 026 479	\$ 15 706 184
Taxes accrued, including income taxes	13 571 668	12 776 842
Other accrued liabilities	20 995 439	21 190 989
Dividends payable	2,464 380	1 142 991
Total current liabilities	56 057 966	50 817 006
 GENERAL RESERVE	 6 000 000	 6 000 000
 CAPITAL STOCK:		
Authorized:		
18,000 special employees' preferred shares, par value \$50 each (callable at par)	\$ 900 000	
625,000 cumulative convertible \$1.25 preferred shares, par value \$28 each	17 500 000	
8,178,800 common shares of no par value	—	
Issued and outstanding:		
18,000 special employees' preferred shares	900,000	900 000
Less redeemed (1964—3,633 shares; 1963—2,595 shares)	181 650	129 750
	718 350	770 250
623,788 cumulative convertible \$1.25 preferred shares	17,466 064	17 466 064
7,555,012 common shares—stated value	9 476 186	9 476 186
Total capital stock	27 660 600	27 712 500
 REINVESTED EARNINGS (note 2)	 138 665 384	 127 147 917
	<u>\$228 383 950</u>	<u>\$211 677 423</u>

Notes to consolidated financial statements

1. These financial statements represent a consolidation of the accounts of the parent company, Canadian General Electric Company, Limited, and those of all subsidiary companies except Genelco Finance Limited, a wholly-owned finance company. The net earnings of Genelco Finance Limited for the year ended December 31, 1964 of \$2,966 and reinvested earnings as of that date of \$1,748 have been included in the accounts of the parent company.
2. Under the provisions of Section 61 of the Companies Act (Canada) amounts of \$181,650 at December 31, 1964 and \$129,750 at December 31, 1963 of the reinvested earnings were classified as capital surplus arising from the redemption of preferred stock, pending formal reduction of capital.
3. The company is contingently liable to the extent of \$2,500,000 under its guarantee of a bank loan to a customer.

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Canadian General Electric Company, Limited and its subsidiary companies as of December 31, 1964 and the consolidated statement of current and reinvested earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of current and re-

invested earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its subsidiary companies at December 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with Section 118 of the Companies Act (Canada) we report that the net earnings of the non-consolidated wholly owned subsidiary for the year ended December 31, 1964, and the reinvested earnings at that date have been included in the accounts of the parent company as explained in note 1 to the financial statements.

Toronto, Ontario, February 5, 1965

PEAT, MARWICK, MITCHELL & CO., Chartered Accountants

Five year summary

Dollar amounts in thousands except per share earnings	1964	1963	1962	1961	1960
REVENUES:					
Net sales billed	\$324 382	\$311 062	\$263 302	\$215 283	\$226 040
Non-operating income—net	5 152	3 236	1 919	1 771	1 624
Total revenues	329 534	314 298	265 221	217 054	227 664
COSTS AND EXPENSES:					
Total employee compensation (including Company costs of pensions, insurance and all other employee benefits)	103 783	94 510	87 081	69 406	70 201
Materials, supplies and all other costs, expenses, and charges—net	188 378	174 845	163 001	127 130	130 452
Capital cost allowance	6 918	6 370	6 435	5 145	5 106
Interest and other financial charges	245	62	78	35	362
Provision for Federal and Provincial income taxes	16 973	14 945	9 890	6 740	8 650
Other taxes	2 943	2 795	2 548	1 980	1 887
Total gross costs and expenses	319 240	293 527	269 033	210 436	216 658
Adjustment for decreases or <i>increases</i> in inventories	6 762	6 986	13 956	1 757	2 339
Total costs and expenses	312 478	300 513	255 077	208 679	218 997
Net earnings—total	17 056	13 785	10 144	8 375	8 667
—per common share	2.15	1.72	1.23	1.10	1.14
Dividends declared	5 539	3 086	3 089	2 312	2 314
Average number of employees	17 139	16 231	15 194	12 387	12 665
Capital expenditures	\$ 9 867	\$ 5 718	\$ 7 493	\$ 5 188	\$ 5 152
Capital invested	166 326	154 860	144 220	119 721	113 714
Earnings as a percentage of sales	5.3%	4.4%	3.9%	3.9%	3.8%

CANADIAN GENERAL ELECTRIC COMPANY LIMITED

Head Office — 214 King St. West, Toronto, Ontario

Directors

J. Alexandre Béland	Louiseville, P.Q.
Joseph M. Breen	Montreal, P.Q.
Paul Desruisseaux, Q.C.	Sherbrooke, P.Q.
Oscar L. Dunn	Erie, Pa.
James H. Goss	New York, N.Y.
William C. Harris	Toronto, Ont.
Hugh G. Hilton	Hamilton, Ont.
Cecil E. Hipp	Toronto, Ont.
Louis L. Lang*	Waterloo, Ont.
Ian F. McRae	Toronto, Ont.
Halbert B. Miller	New York, N.Y.
Robert E. Pfenning	New York, N.Y.
J. Herbert Smith	Toronto, Ont.
Hubert G. Welsford	Lachine, P.Q.
William C. Wichman	New York, N.Y.

*Deceased, February 25, 1965

Officers

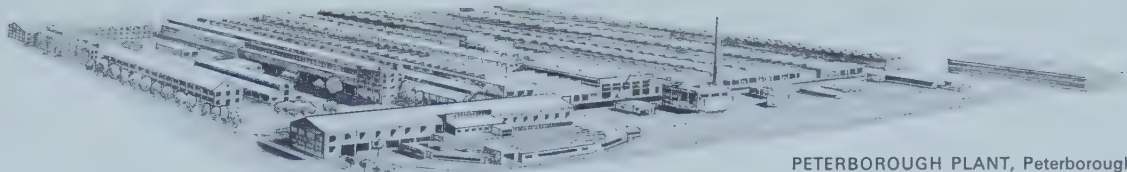
President and Chief Executive Officer	J. Herbert Smith
Chairman of the Board of Directors	Ian F. McRae
Vice-President—Finance	Cecil E. Hipp
Vice-Presidents	Robert N. Fournier John S. Keenan E. Howard Lindsay Charles A. Morrison Ronald M. Robinson W. Frank Wansbrough
Secretary	Alan G. Trites
Assistant Secretaries	Ivan H. Ashbury Harry Hughes

Auditors

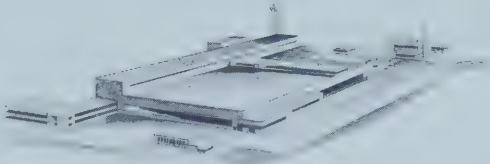
Peat, Marwick, Mitchell & Co. Toronto, Ont.

Transfer Agent and Registrar

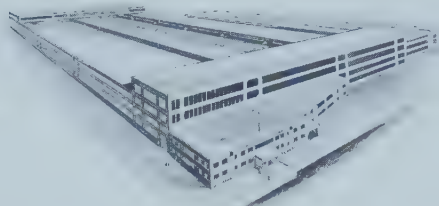
National Trust Company, Limited Toronto, Ont.



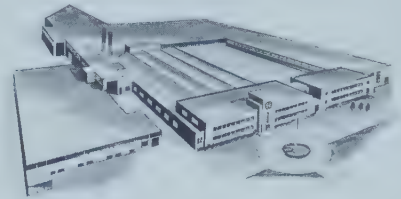
PETERBOROUGH PLANT, Peterborough, Ont.
Generators, turbines, switchgear, motors, control, capacitors, wire and cable, nuclear reactors.



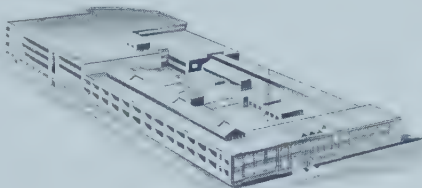
GUELPH PLANT, Guelph, Ont.
Power transformers, current-limiting reactors, voltage regulators.



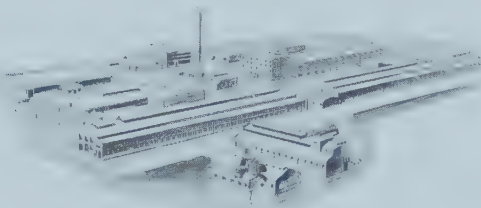
MONTREAL PLANT, Montreal, P.Q.
Major appliances, dehumidifiers, room air conditioners, commercial cooking equipment, water coolers.



BARRIE PLANT, Barrie, Ont.
Portable appliances including kettles, irons, frypans, floor polishers.



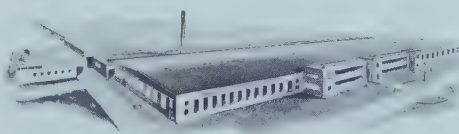
ROYCE PLANT, Toronto, Ont.
Electronic equipment—aircraft systems, broadcast transmitters, computers, two-way radio, radar, microwave. Radio and tv sets, stereo-hi-fi.



DAVENPORT PLANT, Toronto, Ont.
Distribution, instrument and specialty transformers, ballasts, conduit, industrial heating equipment, lighting equipment, traffic control, chemical materials.



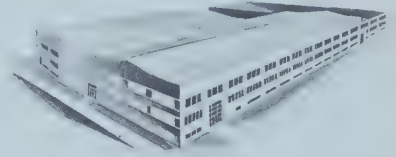
QUEBEC PLANT, Quebec, P.Q.
Meters, instruments, appliance control, magnets, timing devices.



OAKVILLE PLANT, Oakville, Ont.
Fluorescent and incandescent lamps, spot and flood lamps, automobile headlamps.



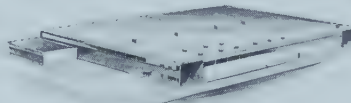
DUFFERIN LAMP PLANT,
Photoflash, miniature, and Christmas lamps, lamp components.



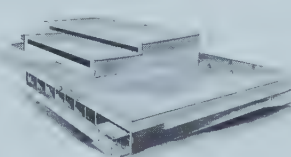
MONTREAL LAMP PLANT, Montreal, P.Q.
Large incandescent, mercury, and photographic lamps.



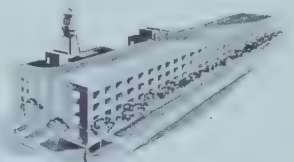
COBOURG PLANT, Cobourg, Ont.
Custom-moulded plastics (compression, injection, extrusion, reinforced), plastic housewares.



REXDALE PLANT, Toronto, Ont.
Television picture tubes, cathode-ray tubes.



CARBOLOY PLANT, Toronto, Ont.
Cemented carbide tools, dies, blanks, wear-resistant parts, reactor fuel.



WARD STREET PLANT, Toronto, Ont.
Wiring devices, low-voltage circuit breakers, component heating devices.



ATLANTIC PLANT, Sackville, N.B.
Distribution transformers, lightning arresters, cutouts.



DOMINION ENGINEERING WORKS, LIMITED, Lachine, P.Q.
Paper machines, hydraulic turbines, pumps, valves, rolling mill machinery, rubber and plastics machinery, mining machinery, hydraulic presses, gear products, steam turbines, roll products, power cranes and shovels.



LINES

GERMANY
SIEMENS-SCHÜCKERTWERKE A.G.
ZEF/TV 3/29
WARENNAHME

8520

GUNTHER SCHAROWSKY STR. 3

GERMANY
SIEMENS-SCHÜCKERTWERKE A.G.
ZEF/TV 3/29
WARENNAHME

8520 ERLANGEN

GUNTHER SCHAROWSKY STR. 3

GERMANY
SIEMENS-SCHÜCKERTWERKE A.G.
ZEF/TV 3/29
WARENNAHME
ERLANGEN
GUNTHER SCHAROWSKY STR. 3

ADEN • AUSTRALIA • ANTIGUA • ARGENTINA • BAHAMAS • BARBADOS
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ECUADOR • EL SALVADOR • FIJI • FRANCE • GERMANY • GHANA • GREECE
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MEXICO • MONTSERRAT • NETHERLANDS ANTILLES • NEW ZEALAND
NICARAGUA • PAKISTAN • PANAMA • PERU • PUERTO RICO • POLAND
PHILLIPINES • RHODESIA • ST. LUCIA • ST. VINCENT • SAUDI ARABIA • SPAIN
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Building for

EXPORT

The accelerating world-wide application of electrical technology brings with it the opportunity for Canadian General Electric to serve a growing range of customers in the export market.

This international marketplace is intensely competitive, but it is an arena in which CGE is experiencing a substantial measure of success. In 1964, for example, Company products worth over \$25 million were exported to more than 50 countries.

Many factors build these export sales. Basic, of course, are the Company's skills and facilities to produce the electrical products which have helped make Canada one of the world's most electrified nations. These products are finding growing acceptance abroad, and are now being supported by Company products developed specifically for the export market.

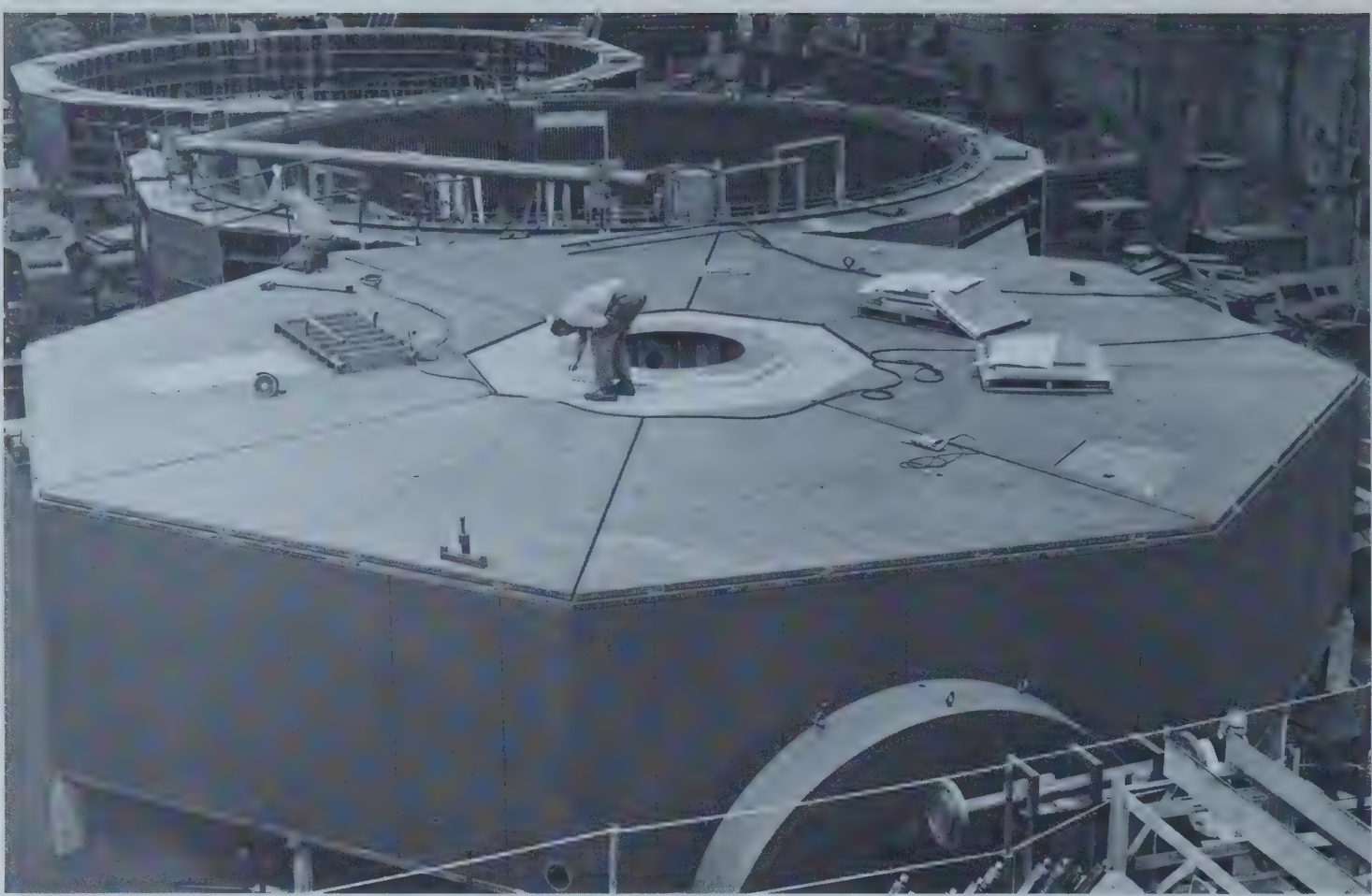
Another factor is the ability of Canadian General Electric and Dominion

Engineering Works to engineer and build coordinated electrical-mechanical equipment for installation in Canada and abroad. A number of successful major projects of this type have already been completed.

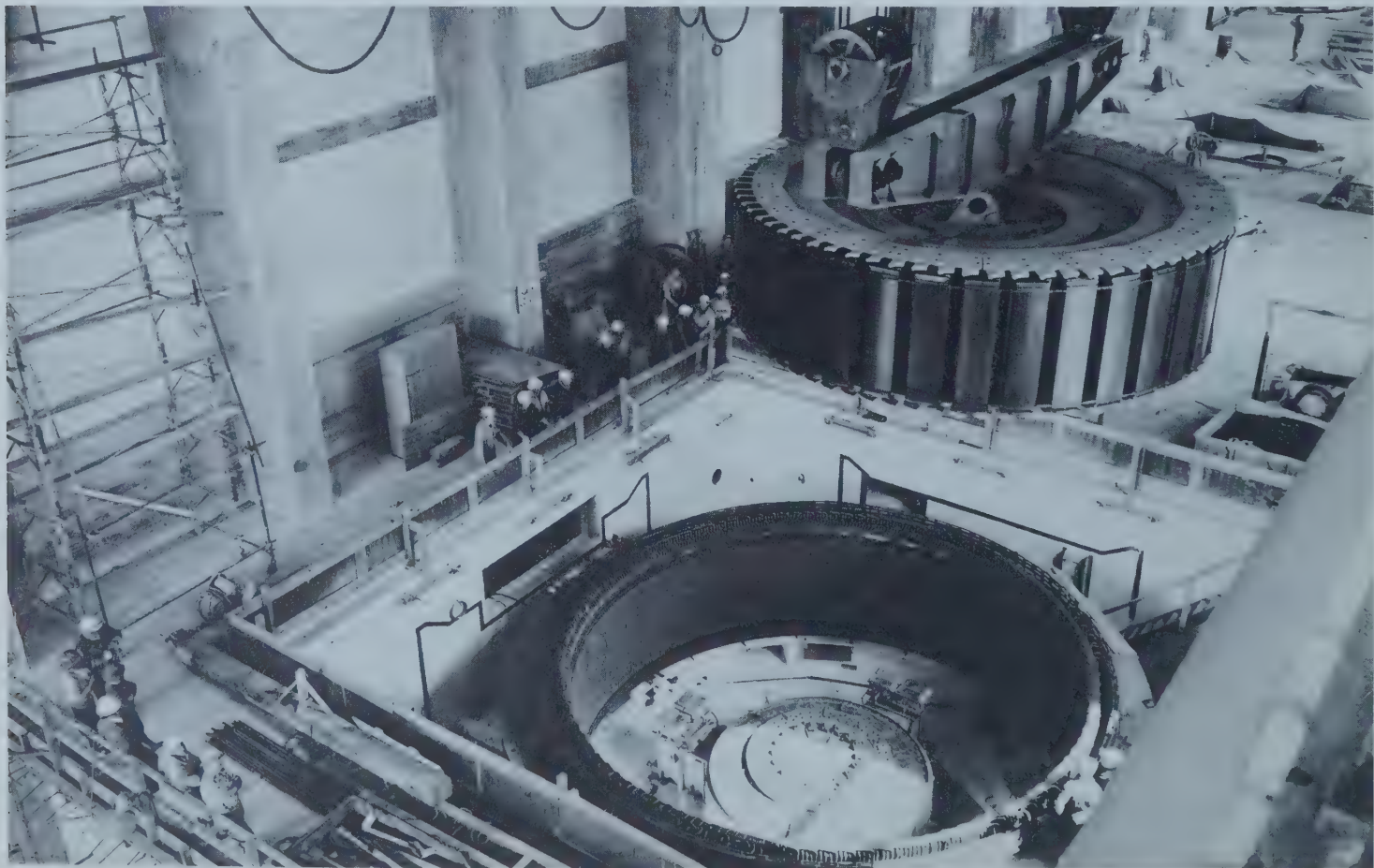
The Company believes it can continue to serve export customers on a continuing and expanding basis. The Canadian Government has made available export credit facilities competitive with those of other countries, and its Department of Trade and Commerce offers export-conscious Canadian industries strong promotional and selling support.

Throughout the world human progress is linked to electrical progress. Canadian General Electric is committed to playing a full and growing role in supplying export customers with the equipment to generate, transmit and put to useful work the vital and versatile force of electricity.

Nuclear reactor fuel being loaded for air shipment to West Germany. Order consisted of over 300,000 precision-made uranium oxide fuel pellets from CGE's Carboly Plant in Toronto.

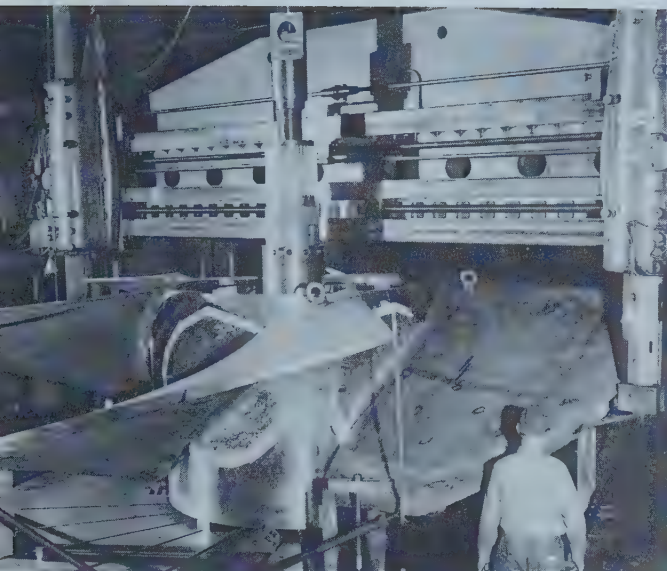


Hydro-electric generators for export under construction at the Peterborough plant. Machine in foreground was the first of four for the Rana Pratap Sagar development in India ; machines in background were the last two of four for the Volta River project in Ghana.

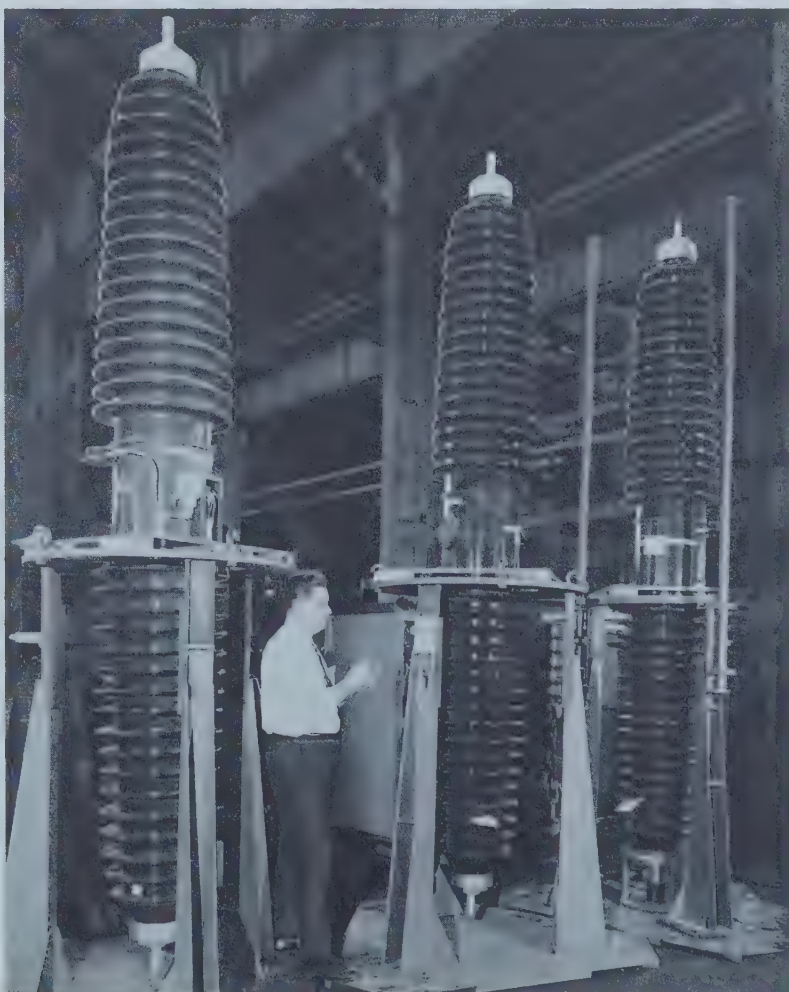
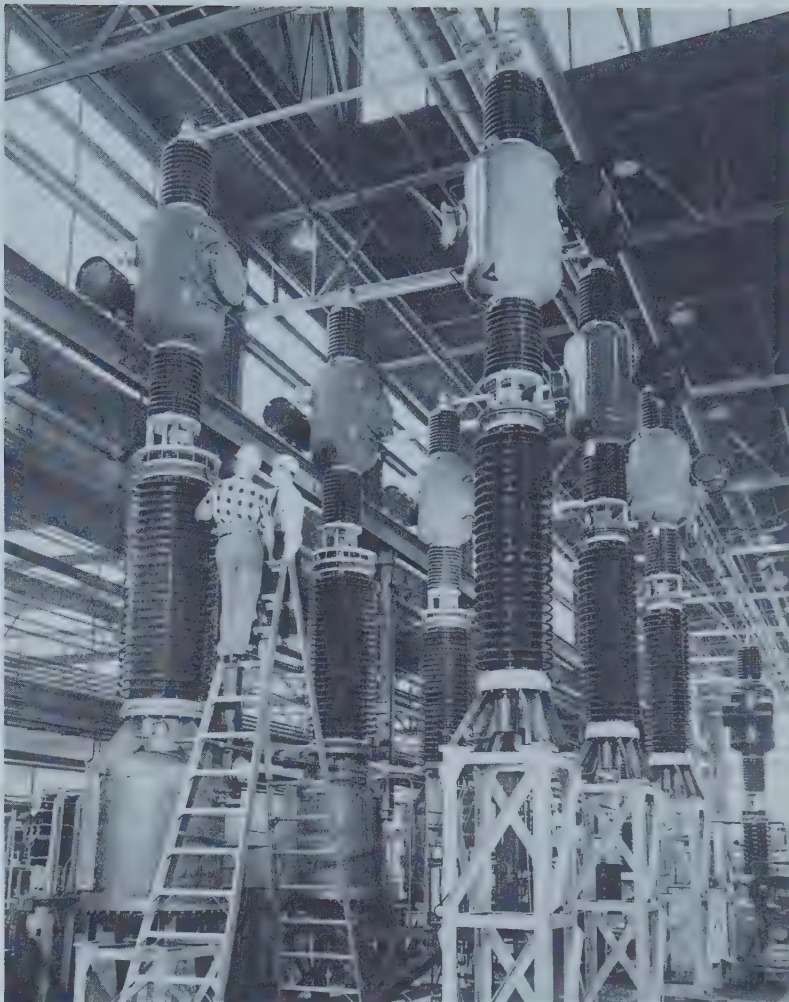


One of six CGE-built hydro-electric generators under installation in the Benmore power station on New Zealand's South Island. CGE engineers travel to many areas of the world to supervise the installation and initial operation of Company-built equipment.

Air-blast circuit breakers for the State Electricity Commission of Victoria, Australia, being readied for test in Peterborough. Eighteen such units were shipped, first of their type built by CGE for either domestic or export markets.



At Dominion Engineering Works, Lachine, this turbine runner assembly was built for the Dardanelle Lock Project in Arkansas. This assembly was for one of four 51,900 horse-power turbines built for this project by DEW.



Six of these "through-the-wall" current transformers were built at the Davenport (Toronto) plant for export to Holland.



This control desk is for the Akosombo power project on the Volta River in Ghana. From Peterborough the Company is supplying four hydro-electric generators and associated switchgear and control equipment for the project. It is CGE's first such order from an African country.



At the Davenport plant, high voltage current and potential instrument transformers and coupling capacitors are readied for shipment. These were for various electrical utilities in Australia.



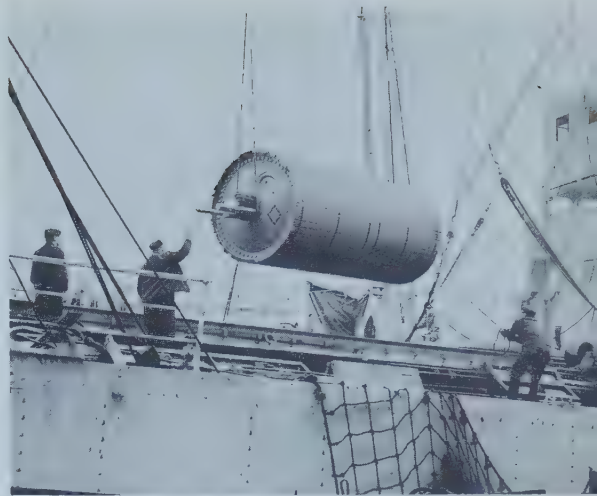
For the Sukkur power station in West Pakistan, the Company is supplying four 18,000 horsepower steam turbines, largest of their kind built in the Peterborough plant for export. Photo shows a 5-ton rotor being installed in the lower half of a turbine casing.



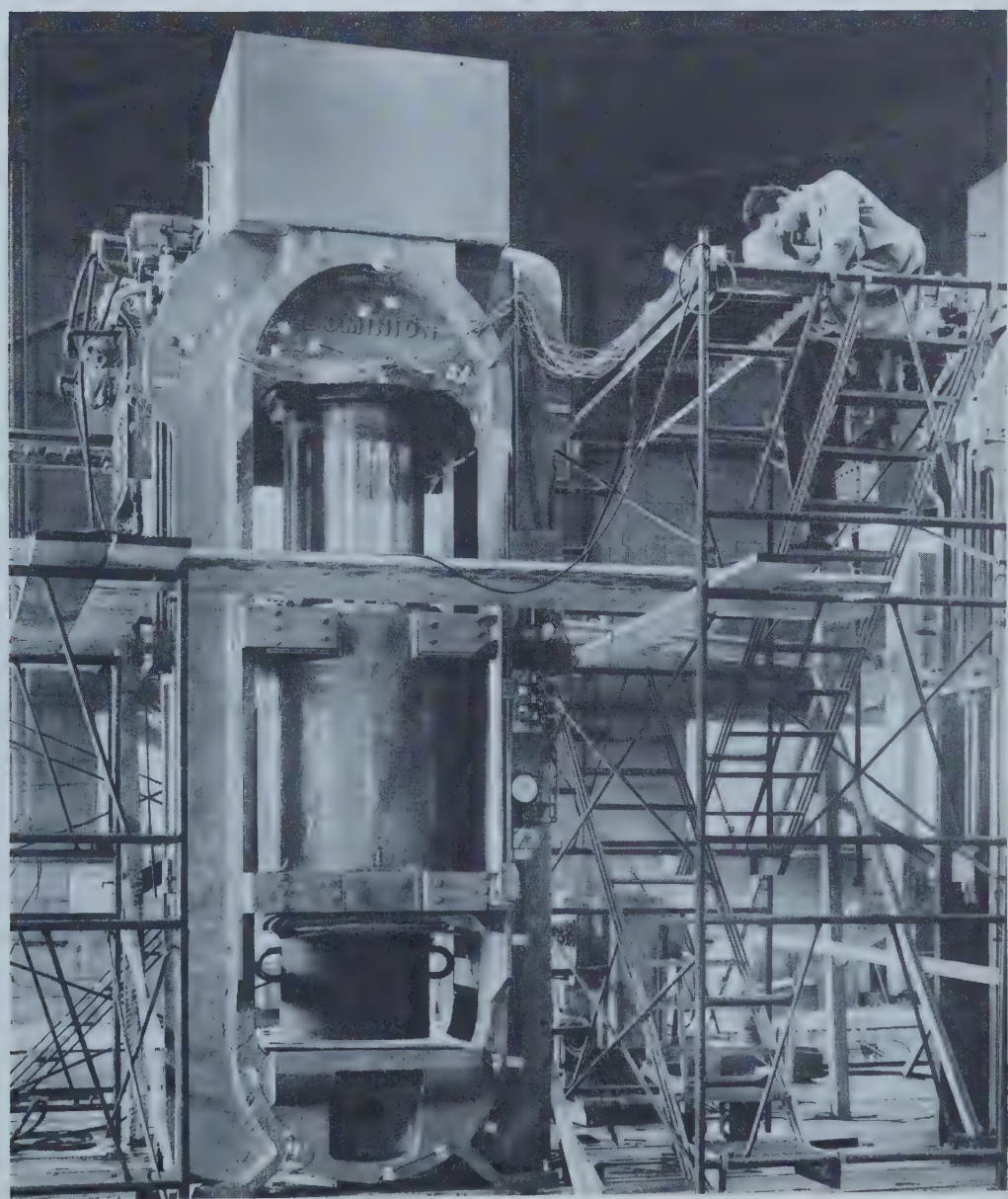
Over one-third of the production of this type of oil circuit breaker was exported from Peterborough in 1964. Markets include India, South Africa and Mexico.



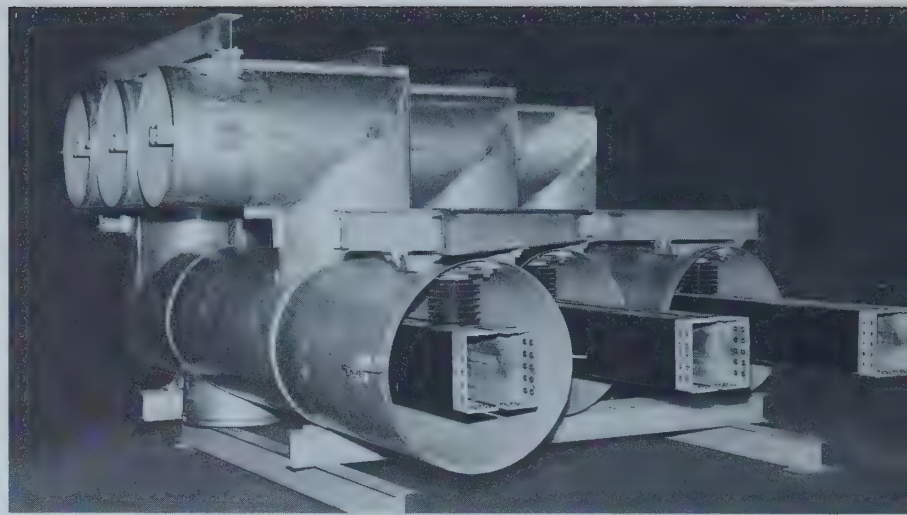
Davenport-built electric furnaces being shipped to a customer in the United States. Other industrial furnace export shipments went to Colombia and the United Kingdom.



This dryer, built at Dominion Engineering Works, was for a paper mill project at Khulna in East Pakistan. DEW and CGE supplied the entire paper machine and associated equipment.



An 825-ton hydraulic pulp baling press undergoes testing at the DEW plant in Lachine. The customer for this unit was Cellulosa de Chihuahua, Mexico.



This isolated phase bus duct was built at the Peterborough plant for the Akosombo power project on the Volta River in Ghana.

The Company is making a special effort to establish itself internationally as a major supplier of conduit products. Part of the first export shipment of electrical rigid steel conduit, for the Bahamas, is shown at the left.



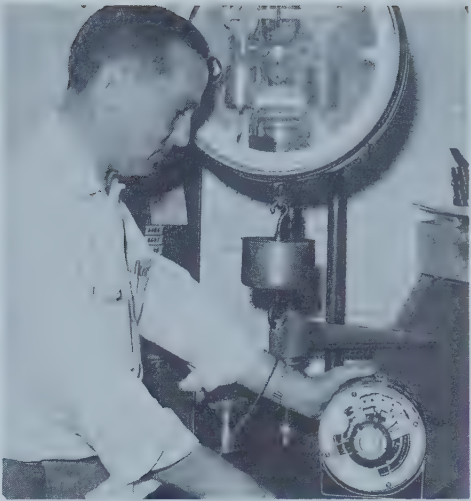
Large reels wound with high voltage cable are prepared in Peterborough for shipment to Chile. More than two miles of such cable was supplied for a new pulp mill 300 miles south of Santiago.



Twenty per cent of the products of CGE's plant in Quebec City go to world markets. Included is this watt-hour meter which has had high acceptance in Central and South America



The plastic lens for this street lighting luminaire is exported to the United States. The lenses are produced in the Company's custom-moulding plastics plant in Cobourg, Ontario.



Fractional horsepower motors, like the one under test above, are exported to New Zealand and South Africa. These include general purpose motors and laundry equipment motors.

Industrial electric furnaces for the domestic and export markets are produced at the Davenport plant. The meshbelt electric furnace shown below was for export to Colombia, South America.



A shipment of Formvar wire enamel and paints and varnishes begins the first leg of its journey from the Davenport chemical plant to South Africa.



Electronic tubes and germanium diodes manufactured at the Dufferin tube plant in Toronto are enjoying increasing export sales. TV picture tubes made at the Rexdale plant are exported to 20 countries.



Radio Cristal, in Barquisimeto, Venezuela (below), is one of eight new South American broadcasting stations using the Ultrasound 10 kilowatt transmitter developed by CGE at the Royce (Toronto) plant. In the station's transmitter room (above), the Ultrasound equipment is at the right.





Automotive engine heaters and battery warmers, produced at the Ward Street plant in Toronto, are exported to the United States.

This plastic fireman's hat was injection moulded at the Cobourg plant. A new product, its widespread acceptance in Canada was followed by orders from the United States.



Photoflash lamps are exported to Germany, England and Australia, as are automotive sealed beam headlamps. Other lamp products are shipped to the British West Indies, New Zealand, India, South Africa and France.



Timers for use on kitchen ranges are exported from the Quebec plant to manufacturers in England, Australia, New Zealand.



The Carboly skate sharpener, which utilizes a cemented carbide cutting disc, is a unique Canadian product which found wide favour in export markets, notably in the United States, Holland and Japan.



Electric kettles and lawn mower power units for the United States, and floor polishers for West Germany are among the products exported from the Barrie small appliance plant. In addition, floor polisher drive units are shipped to Australia and appliance components to the United Kingdom.



The Montreal major appliance plant exports wringer washers to 26 foreign countries. Washer component parts go to Mexico and South Africa.



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